

**FIRE DISTRICT NO. 1
OF THE TOWNSHIP OF MANALAPAN**

Financial Statements and Supplementary Schedules

For the year ended December 31, 2019

(With Independent Auditor's Report thereon)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
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For the year ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Fire Commissioners
Fire District No. 1 of the Township of Manalapan
County of Monmouth
Manalapan, New Jersey 07726

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey, as of and for the fiscal year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund and the aggregate remaining fund information of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of the District's proportionate share of the net pension liability – PERS, schedule of District contributions – PERS, changes in the net pension liability and related ratios – length of service awards program and notes to the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

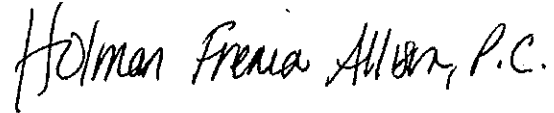
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fire District No. 1 of the Township of Manalapan's basic financial statements. The long-term debt schedule of obligations under capital leases, as listed on the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The long-term debt schedule of obligations under capital leases is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the long-term debt schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020 on our consideration of the Fire District No. 1 of the Township of Manalapan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District No. 1 of the Township of Manalapan's internal control over financial reporting and compliance.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

December 7, 2020
Toms River, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Fire Commissioners
Fire District No. 1 of the Township of Manalapan
County of Monmouth
Manalapan, New Jersey 07726

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the governmental-type activities of the Fire District No. 1 of the Township of Manalapan as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Fire District No. 1 of the Township of Manalapan's basic financial statements and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fire District No. 1 of the Township of Manalapan's internal control over financial reporting internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fire District No. 1 of the Township of Manalapan's internal control. Accordingly, we do not express an opinion on the effectiveness of Fire District No. 1 of the Township of Manalapan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

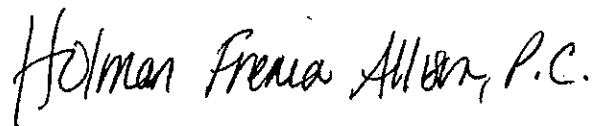
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fire District No. 1 of the Township of Manalapan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District No. 1 of the Township of Manalapan's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

December 7, 2020
Toms River, New Jersey

**MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

As management of Manalapan Township Fire District No. 1, we offer readers of the Manalapan Fire District No. 1 financial statements this narrative overview and analysis of the financial activities of the Manalapan Township Fire District No. 1 for the year ended December 31, 2019. The intent of this narrative is to look at Manalapan Township Fire District No. 1's overall financial performance in terms easily understood by the lay person. Please read this in conjunction with the transmittal letters beginning on page 1 and the District's financial statements which begin on page 14. Notes to the financial statements will provide the reader with additional useful information and they begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at December 31, 2019 by approximately \$1,098,500. In 2018 the excess was approximately \$893,000. This is an increase of approximately \$205,500.
- During 2019 Manalapan Township Fire District No. 1 operated at a surplus of approximately \$205,500. The surplus in 2018 was approximately \$200,000. This is a decrease of approximately \$5,500.
- The District's cash balances increased by approximately \$217,100.
- The District's prepaid expenses increased by approximately \$5,000.
- The District increased the amount of current liabilities by approximately \$180,800.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. Manalapan Township Fire District No. 1's basic financial statements are comprised of three components: district-wide financial statements; fund financial statements; and notes to the basic financial statements.

Reporting on the District as a Whole

Our analysis of the District as a whole begins on page 7. District-wide financial statements are provided to give the reader a broad overview of the District's financial position and its financial activity for the year. It is presented in a format similar to the private sector to give the reader a familiar point of reference.

The Statement of Net Position presents information on all the assets and liabilities of Manalapan Township Fire District No. 1. The difference between the assets and liabilities is reported as the District's net position. Significant increases or decreases in the District's net position can be an indication of the financial health of the District.

The Statement of Activities presents financial information about activities that result in the District's net position increasing or decreasing during the year. Financial activities are recorded when the transactions occur rather than when the cash is received or paid out. As a result, there could be activities that result in cash flow in a future period.

The district-wide financial statements report on the financial data by function. Manalapan Township Fire District No. 1 has two basic functions: activities that are supported by property taxes; and activities supported by other governmental activities. Manalapan Township Fire District No. 1 provides firefighting services to the citizens of Manalapan Township.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Manalapan Township Fire District No. 1 uses fund accounting to document compliance with finance-related legal matters. Manalapan Township Fire District No. 1 has one type of fund group; it is governmental funds.

Governmental Funds

Manalapan Township Fire District No. 1's activities are reported in governmental funds. These funds record the flow of cash in and out of the District during the period and the balances remaining at year end for future periods. The modified accrual basis of accounting is utilized for reporting purposes. This method of accounting measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services.

Manalapan Township Fire District No. 1 maintains three separate government funds, the general fund, the capital project fund and the debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the debt service fund.

The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

As required by N.J.S.A. 40A:14:78-3, Manalapan Township Fire District No. 1 adopts an annual budget which is voted on by the legal voters of the district on the third Saturday in February. Budgetary comparison schedules have been prepared to document compliance with budgetary requirements.

Notes to Financial Statements

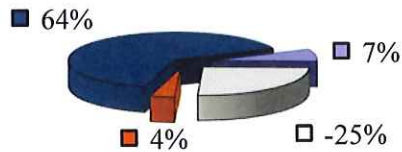
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements are an integral part of the financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS

Manalapan Township Fire District No. 1's net position is a useful indicator of the District's financial condition. At the end of 2018 the District's assets exceeded the liabilities by approximately \$1,098,500. The largest portion of Manalapan Township Fire District No. 1's net assets is its investment in fixed assets. The District uses these assets to provide fire-fighting services to the community; consequently, these assets are not available for future spending. Manalapan Township Fire District No. 1's investment in capital assets is reported net of related debt. Since the capital assets are not available to liquidate the debt, other sources must be utilized for the repayment of the debt, if any.

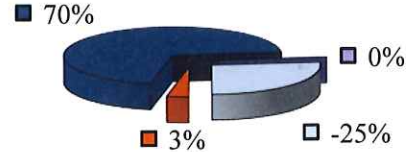
Statement of Net Position				
	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets and deferred outflows	\$ 4,663,726	\$ 3,654,013	\$ 1,009,713	27.6%
Capital assets	<u>2,859,634</u>	<u>1,671,539</u>	1,188,095	71.1%
Total assets	7,523,360	5,325,552	2,197,808	41.3%
Total liabilities and deferred outflows	<u>(6,424,832)</u>	<u>(4,432,485)</u>	(1,992,347)	(44.9%)
Net position	<u>\$ 1,098,528</u>	<u>\$ 893,067</u>	205,461	23.0%
Analysis of net position				
Invested in capital assets, net of related debt	\$ 1,418,903	\$ 1,333,014	85,889	6.4%
Restricted for:				
Capital projects	81,151	61,151	20,000	32.7%
Debt service	156,948	-	156,948	100.0%
Unrestricted	<u>(558,474)</u>	<u>(501,098)</u>	(57,376)	-11.5%
Total net position	<u>\$ 1,098,528</u>	<u>\$ 893,067</u>	\$ 205,461	23.0%

2019 Net Position



- Restricted for Capital
- Invested in Capital Assets, Net of Related Debt
- Debt Service
- Unrestricted

2018 Net Position



- Restricted for Capital
- Invested in Capital Assets, Net of Related Debt
- Debt Service
- Unrestricted

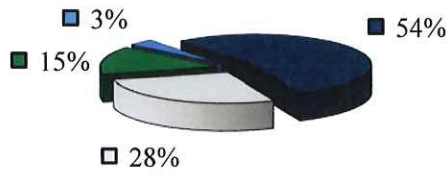
The net position of Manalapan Township Fire District No. 1 increased approximately \$205,500 during the 2019 period. The district added approximately \$1,371,800 of Capital Assets in 2019. In 2019, the capital assets increased approximately \$1,188,100 after depreciation.

Governmental Activities

The Statement of Activities shows the cost of the governmental activities program services and the charges for services and grants offsetting these costs. A summary of these activities follows:

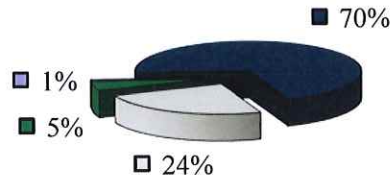
	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Expenses				
Program expenses				
Administrative expenses	443,572	\$ 389,169	\$ 54,403	14.0%
Cost of operations and maintenance	872,889	1,111,686	(238,797)	(21.5%)
Interest expense	56,298	10,017	46,281	462.0%
Length of service award contribution	237,470	75,371	162,099	215.1%
Total program expenses	<u>\$ 1,610,229</u>	<u>\$ 1,586,243</u>	\$ 23,986	1.5%

2019 Program Expenses



Administrative
 LOSAP
 Interest
 Operations

2018 Program Expenses



Administrative
 LOSAP
 Interest
 Operations

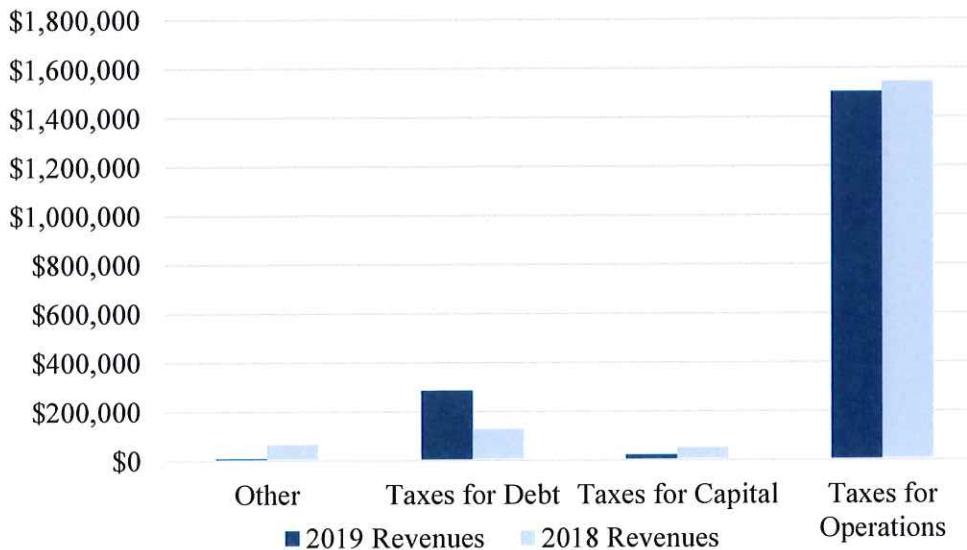
Revenues

General revenues

Property taxes levied for:

General purposes	\$ 1,502,684	\$ 1,543,555	\$ (40,871)	(2.6%)
Capital purchases	20,000	50,000	(30,000)	(60.0%)
Debt service	284,863	127,915	156,948	122.7%
Total property taxes levied	1,807,547	1,721,470	86,077	5.0%
Other revenue	8,143	64,820	(56,677)	(87.4%)
Total general revenues	1,815,690	1,786,290	29,400	1.6%
Increase in net position	205,461	200,047	5,414	2.7%
Net position, January 1	893,067	693,020	200,047	28.9%
Net position, December 31	\$ 1,098,528	\$ 893,067	\$ 205,461	23.0%

Revenues



Property tax revenue constituted 99.6% of the total governmental activities revenues received by Manalapan Township Fire District No. 1 in 2019. In 2018 the property tax revenue constituted 96.4% of total revenues.

The Cost of Operations & Maintenance was 55% and 70% of the District's total expenses in 2019 and 2018, respectively. Administration expenses equaled 27% and 25% of the total expenses in 2019 and 2018, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Manalapan Township Fire District No. 1 uses fund accounting to document compliance with finance-related legal requirements.

Government Fund

The primary objective of the District's governmental funds is to report on cash flows in and out during the period and the ending balances of the spendable resources. This information is useful to evaluate the performance of the District and to assess its future needs and available resources. The prior auditor did not include fund statements in the audit report so no comparison will be reported here.

As of December 31, 2019, the combined balance of the governmental cash funds of Manalapan Township Fire District No. 1 was approximately \$1,177,500. This balance is approximately \$217,100 higher than last year's combined governmental funds balance. The increase is due primarily to the surplus in operations and capital expenditures.

The combined balance of the governmental funds of Manalapan Township Fire District No. 1 was approximately \$3.45 million. Unreserved fund balance amounted to \$802,600 of that total.

General Fund Budgetary Highlights

The Board presented a balanced budget to the voters for approval, which was approved. The 2019 Budget had a surplus and did not require the utilization of unrestricted surplus accumulated from prior years. The balance of accumulated surplus is available for future budget periods as undesignated surplus in the General Fund.

The District had total revenues in excess of expenditures of approximately \$297,100 in 2019, and approximately \$261,700 in 2018. The year ending December 31, 2020 is expected to generate a small surplus.

Administrative actual expenses were approximately 14% less than projected in 2019. Operating expenses were approximately 6% less than projected in 2019 excluding the new apparatus purchased in 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018 Manalapan Township Fire District No. 1 had invested in capital assets for government activities \$2,856,634 (net of accumulated depreciation). Capital assets consist of fire apparatus and equipment.

MANALAPAN TOWNSHIP FIRE DISTRICT NO. 1 CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)

	2019	2018	\$ Increase (Decrease)	% Increase (Decrease)
Capital assets				
Apparatus in progress	\$ 1,222,545	\$ -	1,222,545	0.0%
Vehicle and Apparatus	3,537,832	3,537,832	-	0.0%
Fire Equipment	591,322	442,019	149,303	33.8%
Total capital assets	5,351,699	3,979,851	1,371,848	34.5%
Accumulated depreciation	(2,492,065)	(2,308,312)	(183,753)	8.0%
Total capital assets, net	<u>\$ 2,859,634</u>	<u>\$ 1,671,539</u>	1,188,095	71.1%

Additional information on Manalapan Township Fire District No. 1's capital assets can be found in Note 5 in the notes to the financial statements.

Long-Term Obligations

As of December 31, 2019 Manalapan Township Fire District No. 1 had capital leases outstanding in the amount of approximately \$1,440,700 of which approximately \$332,400 is due within one year. The Board purchased a fire apparatus in 2019 under a capital lease.

In addition, as of December 31, 2019, Manalapan Township Fire District No. 1 has a length of service awards program liability of approximately \$4.79 million. Additional information on the District's LOSAP Program can be found in Note 8 in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

In 2019, Manalapan Township Fire District No. 1 was able to cover all its appropriations through the fire tax levy and other revenues. In 2019 the fire tax levy amounted to 99.6% of total revenue collected.

Manalapan Township Fire District No. 1 adopted their 2020 budget on January 8, 2020. The voters subsequently approved the budget at the February election. The Board is utilizing \$100,000 of the General Fund surplus in the 2020 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Manalapan Township Fire District No. 1's finances for all of those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Manalapan Township Fire District No. 1, P.O. Box 395, Manalapan, New Jersey, 07726.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Statement of Net Position
December 31, 2019

	Governmental Activities
	<u>2019</u>
Assets:	
Current assets:	
Cash (Note 3)	\$ 1,177,545
Accounts receivable	22
Prepaid insurance	79,489
Total current assets	1,257,056
Noncurrent assets:	
Investment in length of service awards program (Note 4)	2,311,926
Total noncurrent assets	2,311,926
Capital assets, net:	
Nondepreciable (Note 5)	1,222,545
Depreciable (Note 5)	1,637,089
Total capital assets	2,859,634
Total assets	6,428,616
Deferred outflows of resources:	
Deferred outflows related to pension (Note 7)	4,898
Deferred outflows related to length of service awards programs (Note 8)	1,089,846
Total deferred outflows of resources	1,094,744
Total assets and deferred outflows of resources	\$ 7,523,360
Liabilities:	
Current liabilities:	
Accounts payable	\$ 25,143
Accrued professional fees	9,500
Accrued interest	50,542
Accrued pension	2,226
Capital lease payable (Note 6)	332,447
Total current liabilities	419,858
Noncurrent liabilities:	
Capital lease payable (Note 6)	1,108,284
Net pension liability (Note 7)	41,235
Net length of service awards program liability (Note 8)	4,792,326
Total noncurrent liabilities	5,941,845
Total liabilities	6,361,703
Deferred inflows of resources:	
Deferred inflows related to pension (Note 7)	24,239
Deferred inflows related to length of service awards programs (Note 8)	38,890
Total deferred inflows of resources	63,129
Total liabilities and deferred inflows of resources	6,424,832
Net position:	
Net investment in capital assets	1,418,903
Restricted for:	
Debt service	156,948
Capital	81,151
Unrestricted (Note 14)	(558,474)
Total net position	1,098,528
Total liabilities, deferred inflows of resources and net position	\$ 7,523,360

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Statement of Activities
For the year ended December 31, 2019

	<u>Expenses</u>	<u>Governmental Activities</u>
		<u>2019</u>
Government activities:		
Operation appropriations:		
Administration	\$ 443,572	\$ 443,572
Costs of operations and maintenance	872,889	872,889
Length of service awards contribution	237,470	237,470
Interest expense	56,298	56,298
Total government activities	<u>\$ 1,610,229</u>	<u>\$ 1,610,229</u>
General revenues:		
Miscellaneous revenue		8,143
Amount raised by taxation		<u>1,807,547</u>
Total general revenues		<u>1,815,690</u>
Change in net position		205,461
Net position, January 1		<u>893,067</u>
Net position, December 31		<u>\$ 1,098,528</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Balance Sheet
Governmental Funds
December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>December 31, 2019</u>
Assets:				
Current assets:				
Cash	\$ 1,177,545	\$ -	\$ -	\$ 1,177,545
Accounts receivable	22	-	-	22
Other receivable	-	81,151	156,948	238,099
Total assets	<u>1,177,567</u>	<u>81,151</u>	<u>156,948</u>	<u>1,415,666</u>
Noncurrent assets				
Investment in length of service awards program	2,311,926	-	-	2,311,926
Total noncurrent assets	<u>2,311,926</u>	<u>-</u>	<u>-</u>	<u>2,311,926</u>
Total assets	<u>\$ 3,489,493</u>	<u>\$ 81,151</u>	<u>\$ 156,948</u>	<u>\$ 3,727,592</u>
Liabilities, equity and other credits:				
Accounts payable	\$ 25,143	\$ -	\$ -	\$ 25,143
Accrued professional fees	9,500	-	-	9,500
Accrued pension	2,226	-	-	2,226
Other payable	238,099	-	-	238,099
Total liabilities	<u>274,968</u>	<u>-</u>	<u>-</u>	<u>274,968</u>
Fund balances				
Restricted for:				
Capital	-	81,151	-	81,151
Debt service	-	-	156,948	156,948
Investment in length of service awards program	2,311,926	-	-	2,311,926
Assigned for:				
Subsequent year's expenditures	100,000	-	-	100,000
Unassigned, reported in:				
General fund	802,599	-	-	802,599
Total fund balance	<u>3,214,525</u>	<u>81,151</u>	<u>156,948</u>	<u>3,452,624</u>
Total liabilities and fund balance	<u>\$ 3,489,493</u>	<u>\$ 81,151</u>	<u>\$ 156,948</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Prepaid insurance is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.

79,489

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,351,699 and the accumulated depreciation is \$2,492,065.

2,859,634

Deferred outflows and inflows of resources related to pension and length of service award program are applicable to future reporting periods and, therefore, are not reported in the funds.

1,031,615

Accrued interest not recorded in current financial statements.

(50,542)

Long-term liabilities are not due and payable in the current period and are therefore not reported as liabilities in the funds.

(6,274,292)

Net assets of governmental activities

\$ 1,098,528

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total December 31, 2019</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income - unrestricted cash and investments	\$ 252	\$ -	\$ -	\$ 252
Investment income - length of service awards program	63,487	-	-	63,487
Other revenue	7,891	-	-	7,891
Total miscellaneous revenues	71,630	-	-	71,630
Total revenues	71,630	-	-	71,630
Amount raised by taxation to support district budget	1,502,684	20,000	284,863	1,807,547
Total anticipated revenues	1,574,314	20,000	284,863	1,879,177
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	57,761	-	-	57,761
Fringe benefits	-	-	-	-
Other expenditures:				
Professional fees	21,614	-	-	21,614
Fire prevention and training	37,347	-	-	37,347
Insurance	116,123	-	-	116,123
Building utilities and maintenance	169,795	-	-	169,795
Office supplies	40,932	-	-	40,932
Total administration	443,572	-	-	443,572
Cost of operations and maintenance:				
Other expenditures:				
Truck operations	69,199	-	-	69,199
Fire house rentals	219,479	-	-	219,479
Fire hydrant rentals	290,082	-	-	290,082
Equipment, radios and communications	1,333,132	-	-	1,333,132
Medical fees	15,145	-	-	15,145
Total cost of operations and maintenance	1,927,037	-	-	1,927,037
Length of service awards program				
Administrative fees	5,098	-	-	5,098
Participant withdrawals	70,106	-	-	70,106
Total length of service awards program	75,204	-	-	75,204
Debt service for capital appropriations:				
Capital leases	-	-	120,339	120,339
Interest on capital leases	-	-	7,576	7,576
Total debt service for capital appropriations	-	-	127,915	127,915
Total governmental expenditures	2,445,813	-	127,915	2,573,728
Other financing sources and uses:				
Proceeds from capital lease	1,222,545	-	-	1,222,545
Total other financing sources and uses	1,222,545	-	-	1,222,545
Excess (efficiency) of revenues over (under) expenditures	351,046	20,000	156,948	527,994
Fund balance, January 1	2,863,479	61,151	-	2,924,630
Fund balance, December 31	\$ 3,214,525	\$ 81,151	\$ 156,948	\$ 3,452,624

The accompanying notes are an integral part of these financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance in
the Governmental Funds to the Statement of Activities
December 31, 2019

Total net changes in Fund Balance-Governmental Funds (B-2)	\$	527,994
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays-General Fund	1,371,848	
Depreciation Expense	<u>(183,753)</u>	1,188,095
<p>Prepaid expenses is reported in governmental funds as expenditures. However, in the statement of net position, the cost of those assets is expensed over the term of the policy as insurance expense.</p>		
Prior year	(74,461)	
Current year	<u>79,489</u>	5,028
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension expense	<u>12,945</u>	12,945
<p>Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
		120,339
<p>Accrual of interest on capital leases is not an expenditure in the governmental funds, but the adjustment is charged to expense and is reported in the statement of activities.</p>		
Prior year	1,820	
Current year	<u>(50,542)</u>	(48,722)
<p>Length of service awards program contribution is not reported in governmental funds as expenditures. However, in the statement of net position, the expense is equal to the amount of contributions to the volunteers accounts as determined by the benefit terms. Change in value of LOSAP investments is not a revenue in the government wide financial statements as it is payable to the volunteers in accordance with the plan benefits.</p>		
District contribution to length of service awards program	(237,470)	
Length of service awards program expense	(151,920)	
Appreciation in fair value of investments	(63,487)	
Administrative fees	5,098	
Participant withdrawals	<u>70,106</u>	(377,673)
Changes in net position of governmental activities	\$	<u>205,461</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements
For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION

A. Description of Reporting Entity

Fire District No. 1 of the Township of Manalapan is a political subdivision of the Township of Manalapan, County of Monmouth, State of New Jersey. A board of five commissioners oversees all of the operations of the Fire District. The length of each commissioner's term is three years with the annual election held the third Saturday of every February.

Fire Districts are governed by the *N.J.S.A. 40A: 14-70* et al. and are taxing authorities charged with the responsibility of providing the resources necessary to provide fire fighting services to the residents within its territorial location.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization's board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden on the District;
- there is a fiscal dependency by the organization on the District.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. District Officials

The District is governed by a board of five commissioners. The following were in office at December 31, 2019:

<u>Officials</u>	<u>Term Expires</u> <u>March</u>
Lou Caruana	2021
Ken Kelly	2021
Daniel LaRocca	2022
George Schmatz	2020
Alan Spector	2022

C. Accounting Records

The official accounting records of the Fire District No. 1 of the Township of Manalapan are maintained in the office of the District.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 1: GENERAL INFORMATION (continued)

D. Minutes

Minutes were recorded for meetings and contained approvals for disbursements.

E. Component Units

GASB Statement No. 14, The Financial Reporting Entity, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units and GASB Statement No. 61, The Financial Reporting Entity: Omnis - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 80, Blending Requirements for Certain Component Units. The District had no component units as of for the year ended December 31, 2019.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Fire District conform to generally accepted accounting principles (GAAP) applicable to governmental funds of state and local governments in accordance with the provisions of N.J.A.C. 5:31-7-1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

The basic financial statements report using the economic resources measurement focus and the accrual basis of accounting generally includes the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The tax revenues are recognized in the year for which they are levied (see Note 2 N) while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon thereafter, within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

B. Fund Accounting

The accounts of the district are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn is divided into separate "fund types."

Governmental Funds:

General Fund

The General Fund is the general operating fund of the Fire District and is used to account for the inflows and outflows of financial resources. The acquisition of certain capital assets, such as fire fighting apparatus and equipment, is accounted for in the General Fund when it is responsible for the financing of such expenditures.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities such as firehouses and fire-fighting apparatus. Generally, the financial resources of the Capital Projects Fund are derived from the issuance of debt or by the reservation of fund balance, which must be authorized by the voters as a separate question of the ballot either during the annual election or at a special election.

Debt Service Fund

The Debt Service Fund is used to account for resources that will be used to service general long-term debt.

C. District Wide and Fund Financial Statements

District Wide Financial Statements

The district-wide financial statements (A-1 and A-2) include the statement of net position and the statement of activities. These statements report financial information of the District as a whole excluding the fiduciary activities. All inter-fund activity, excluding the fiduciary funds, has been eliminated in the statement of activities. Individual funds are not displayed but the statements distinguish governmental activities as generally supported through taxes and user fees.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. District Wide and Fund Financial Statements (continued)

Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District does not allocate general government (indirect) expenses to other functions.

Net position is restricted when constraints placed on it is either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units. However, the fiduciary funds are not included in the district-wide statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The fund financial statements provide detail of the governmental funds.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and private purpose trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, private purpose trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

In its accounting and financial reporting, the Fire District No. 1 of the Township of Manalapan follows the pronouncements of the Governmental Accounting Standards Board (GASB).

E. Budgets and Budgetary Accounting

The Fire District must adopt an annual budget in accordance with N.J.S.A. 40A: 14-78.1 et al.

The fire commissioners must introduce and approve the annual budget no later than sixty days prior to the annual election. At introduction, the commissioners shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper having substantial circulation in the Fire District. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the fire commissioners may, by majority vote, adopt the budget.

Amendments may be made to the Fire District budget in accordance with N.J.S.A 40A: 14-78.3.

Subsequent to the adoption of the Fire District budget, the amount of money to be raised by taxation in support of the Fire District budget must appear on the ballot for the annual election for approval of the legal voters.

Fire Districts have a prescribed budgetary basis to demonstrate legal compliance. However, budgets are adopted on principally the same basis of accounting utilized for the preparation of the Fire Districts general-purpose financial statements.

F. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances, other than in the special revenue fund, are reported as reservations of fund balances at year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Encumbered appropriations carry over into the next fiscal year. An entry will be made at the beginning of the next year to increase the appropriation reflected in the adopted budget by the outstanding encumbrance amounts as of the current year-end. There were no encumbrances as of December 31, 2019.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds and cash in banks. All certificates of deposit are recorded as cash regardless of the date of maturity. Fire Districts are required by N.J.S.A. 40A: 5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. *N.J.S.A. 40A: 5-15.1* provides a list of investments that may be purchased by Fire Districts.

N.J.S.A. 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in the State of New Jersey.

Public funds are defined as the funds of any governmental unit. Public depositories include savings and loan institutions, banks (both State and National banks) and savings banks the deposits of which they are federally insured. All public depositories must pledge collateral, having a market value of five percent of its average daily balance of collected public funds, to secure the deposits of governmental units. If public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

H. Prepaid Expenses

Prepaid expenses that benefit future periods are recorded as an expenditure during the year of purchase.

I. Debt Limitation

N.J.S.A. 40A:14-84 governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land and buildings to house such property in an amount not exceeding 5 mills on the dollar of the last assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or 2 percent of the assessed valuation of property, whichever is larger.

J. Capital Assets

Capital assets, which include land, building, improvements, and equipment, are reported in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. The District has set capitalization thresholds for reporting capital assets, of \$2,000.

Depreciation is recorded on the straight-line method over the useful lives of the assets as follows:

Equipment	5 to 15 Years
Trucks and vehicles	8 to 20 Years

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Inventory, Materials and Supplies

The inventory on hand at any time is small. Accordingly, purchases are charged directly to fixed assets or to maintenance costs, as applicable.

L. Interfund Receivable/Payable

Interfund receivables and payables that arise from transactions between funds that are due within one year are recorded by all funds affected by such transactions in the periods in which the transaction is executed.

M. Revenues and Expenditures

Revenues are recorded when they are determined to be both available and measurable. Generally, fees and other non-tax revenues are recognized when qualifying expenditures are incurred.

Expenditures are recorded when the related liability is incurred, if measurable, except for un-matured interest on general long-term debt, which is recognized when due.

N. Fire District Taxes

Upon proper certification to the assessor of the municipality in which the Fire District is located, the assessor shall assess the amount of taxes to be realized in support of the Fire District's budget in the same manner as all other municipal taxes. The collector or treasurer of the municipality shall then pay over to the treasurer or custodian of funds of the Fire District the taxes assessed in accordance with the following schedule: on or before April 1, an amount equaling 21.25% of all monies assessed, on or before July 1, an amount equaling 22.5% of all monies assessed, on or before October 1, an amount equaling 25% of all monies assessed and on or before December 31 an amount equal to the difference between the total of all monies assessed and the total of monies previously paid over.

O. Fund Equity

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Fire District No. 1 of the Township of Manalapan classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by external parties, constitutional provision or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making District and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Administrator.
- Unassigned – includes balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Equity (continued)

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Net Position

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified in the following three components:

- Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

R. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Impact of Recently Issued Accounting Principles

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2019 (GASB 95). Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for reporting periods beginning after June 15, 2021 (GASB 95). Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (GASB 95). Management does not expect this Statement to have a material impact on the Authority's financial statements.

T. Fair Value Measurement

The District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Fair Value Measurement (continued)

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values. Subsequent to initial recognition, the District may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

U. Unrealized Gains and Losses

Governmental Accounting Standards Board (GASB) has established GASB-31, which requires public agencies to report the financial effect of all unrealized gains and losses on invested funds. As of December 31, 2019, the unrealized gains for the Fire District were not considered to be material to the financial statements taken as a whole, and accordingly, have not been reflected in the financial statements.

V. Investments

Investments are reported at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value). Contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board of Commissioners determines the valuation policies utilizing information provided by the investment advisers, custodians, and insurance company. See Note 4 and Note 5 for discussion of fair value and contract value measurements, respectively.

W. Subsequent Events

Fire District No. 1 of the Township of Manalapan has evaluated subsequent events occurring after December 31, 2019 through the date of December 7, 2020, which is the date the financial statements were available to be issued. See Note 15 for additional information.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 3: CASH

The Fire District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at December 31, 2019, and reported at fair value are as follows:

Deposits:

Demand Deposits	<u>\$ 1,177,545</u>
Total Deposits	<u>\$ 1,177,545</u>

Custodial Credit Risk

Reconciliation to Governmental Fund Statements:

Governmental Funds	<u>\$ 1,177,545</u>
Total	<u>\$ 1,177,545</u>

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, the District's bank balance of \$1,180,183 was insured or collateralized as follows:

Insured	\$ 250,000
Collateralized in the District's name under GUDPA	<u>930,183</u>
Total	<u>\$ 1,180,183</u>

NOTE 4: INVESTMENTS HELD AT CONTRACT VALUE

The District invests in the MassMutual general investment fund, which totaled \$2,311,926 as of December 31, 2019. MassMutual maintains the contributions in the general investment fund (GIA). The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The traditional investment contract held by the District is a guaranteed investment contract. The contract issuer is contractually obligated to repay the principal and interest at a specified interest rate that is guaranteed to the LOSAP plan. The District's ability to receive amounts due in accordance with the fully benefit-responsive investment contract is dependent on the contract issuer's ability to meet its financial obligations.

The fixed account continues in-force until they are terminated by MassMutual or the LOSAP plan. For this reason, such contracts are referred to as "evergreen" contracts and do not define a maturity date. No events are probable of occurring might limit the ability of the LOSAP plan to transact at contract value with the contract issuer and also limit the ability of the LOSAP plan to transact at contract value with participants. This contract meets the fully benefit-responsive investment contract criteria and therefore is reported at contract value (See Note 2).

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 5: CAPITAL ASSETS

N.J.S.A. 40A: 14-84 governs the procedures for the acquisition of property and equipment for the Fire Districts, and the *N.J.S.A. 40A: 14-85-87* governs procedures for the issuance of any debt related to such purchases. In summary, Fire Districts may purchase fire fighting apparatus, equipment, land, and buildings to house such property in an amount not exceeding five mills on the dollar of the least assessed valuation of property within the district upon the approval of the legal voters. Debt may be issued up to \$60,000 or two percent of the assessed valuation of property, whichever is larger.

Fixed assets consisted of the following at December 31, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital assets:				
Capital assets that are not being				
Apparatus in progress	\$ -	\$ 1,222,545	\$ -	\$ 1,222,545
Total capital assets that are not being	-	1,222,545	-	1,222,545
Capital assets that are being depreciated:				
Equipment	442,019	149,303	-	591,322
Trucks and vehicles	3,537,832	-	-	3,537,832
Total capital assets being depreciated	3,979,851	149,303	-	4,129,154
Total capital assets	3,979,851	1,371,848	-	5,351,699
Less: accumulated depreciation:				
Equipment	(214,261)	(43,917)	-	(258,178)
Trucks and vehicles	(2,094,051)	(139,836)	-	(2,233,887)
Total accumulated depreciation	(2,308,312)	(183,753)	-	(2,492,065)
Total capital assets being depreciated net of accumulated depreciation	\$ 1,671,539	\$ 1,188,095	\$ -	\$ 2,859,634

NOTE 6: NONCURRENT LIABILITIES

During the fiscal year ended December 31, 2019, the following changes occurred in liabilities reported in long-term liabilities:

	Balance <u>12/31/2018</u>	Accrued/ <u>increases</u>	(Retired)/ <u>(decreases)</u>	Balance <u>12/31/2019</u>	Due within <u>One Year</u>
Governmental activities:					
Obligations under capital lease	\$ 338,525	\$ 1,222,545	\$ (120,339)	\$ 1,440,731	\$ 332,447
Net pension liability	45,607	-	(4,372)	41,235	-
Net length of service awards program liability	3,847,834	944,492	-	4,792,326	-
Total	\$ 4,231,966	\$ 2,167,037	\$ (124,711)	\$ 6,274,292	\$ 332,447

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 6: NONCURRENT LIABILITIES (continued)

On October 3, 2016 The District entered into a capital lease agreement for a pumper totaling \$594,401. The capital lease is for a term of five years, expiring July 15, 2021. Interest is paid quarterly at amounts predetermined during the time of the agreement execution.

On January 17, 2019 The District entered into a capital lease agreement for a fire apparatus totaling \$1,222,545. The capital lease is for a term of ten years, expiring December 17, 2021. Interest is paid annually at a rate of 4.24%.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2019.

For the year ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 332,447	\$ 100,161	\$ 432,608
2021	203,717	44,301	248,018
2022	113,638	38,444	152,082
2023	118,468	33,614	152,082
2024	123,502	28,580	152,082
2025 - 2028	548,959	59,551	608,510
Total	\$ 1,440,731	\$ 304,651	\$ 1,745,382

NOTE 7: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation - The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2019, the District's contractually required contribution to PERS plan was \$2,226.

Components of Net Pension Liability - At December 31, 2019, the District's proportionate share of the PERS net pension liability was \$41,235. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The District's proportion measured as of June 30, 2019, was 0.0002288463% which was a decrease of 0.0000027837% from its proportion measured as of June 30, 2018.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

Collective Balances at December 31, 2019 and December 31, 2018

	<u>12/31/2019</u>	<u>12/30/2018</u>
Actuarial valuation date (including roll forward)	June 30, 2019	June 30, 2018
Deferred Outflows of Resources	\$ 4,898	\$ 8,452
Deferred Inflows of Resources	24,239	36,456
Net Pension Liability	41,235	45,607
 District's portion of the Plan's total Net Pension Liability	 0.00023%	 0.00023%

Pension Credit and Deferred Outflows/Inflows of Resources – At December 31, 2019, the District's proportionate share of the PERS credit calculated by the plan as of the June 30, 2019 measurement date is \$10,809. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 740	\$ 182
Changes of Assumptions	4,117	14,312
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	651
Changes in Proportion and Differences between District Contributions and Proportionate Share of Contributions	41	9,094
	<u>\$ 4,898</u>	<u>\$ 24,239</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

The District will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

Changes in Proportion and Differences
between Contributions and
Proportionate Share of Contributions

Year of Pension Plan Deferral:

June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending <u>Dec 31,</u>	<u>Amount</u>
2020	\$ (9,887)
2021	(3,512)
2022	(3,910)
2023	(1,840)
2024	(192)
	<hr/>
	<u>\$ (19,341)</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%

Mortality Rate Table

Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

Period of Actuarial Experience
Study upon which Actuarial
Assumptions were Based

July 1, 2014 - June 30, 2018

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 7: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS)

Sensitivity of the District's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28%) or 1-percentage-point higher (7.28%) than the current rate:

	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 52,448</u>	<u>\$ 41,235</u>	<u>\$ 32,314</u>

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM

Length of Service Awards Program (LOSAP)

Plan Description – The Fire District's Length of Service Awards Program (LOSAP) provides tax deferred income benefits to active volunteer firefighters. The plan is intended to comply with Section 457(e)(11)(A)(ii) of the Internal Service Code of 1986, as amended.

The assets of the plan are invested in a fixed-income Group Annuity Contract with MassMutual Life Insurance Company under which MassMutual pools funds invested for various Length of Service Awards Program customers along with funds in The MassMutual's general account. Interest income is provided at an average rate of return of approximately 3.0% for 2019 and there is a guaranteed minimum return of 3%.

Contributions - The District has a contractual obligation to pay the LOSAP benefits to eligible members. Assets that are designated to pay the LOSAP benefits are available to the unsecured creditors of the District. As such, the assets and liabilities of the LOSAP are included in the financial statements of the District. For the year ended December 31, 2019, the District's contractually required contribution to the plan was \$237,470.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Basis of Presentation - The accompanying schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of LOSAP to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Components of Net Pension Liability - At December 31, 2019, the District's net pension liability relating to the length of service awards program was \$4,792,326. The net pension liability was measured as of September 14, 2019. The net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of September 15, 2018, which was rolled forward to September 14, 2019. The components of the net pension liability at December 31, 2019, were as follows:

Collective Balances at December 31, 2019

Actuarial valuation date		September 15, 2018
Deferred Outflows of Resources	\$	1,089,846
Deferred Inflows of Resources		38,890
Plan Fiduciary Liability		-
Net Pension Liability		4,792,326
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		0.00%

The following table shows the Changes in the Net Pension Liability as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/15/18	\$ 3,847,834	\$ -	\$ 3,847,834
Changes for the year:			
Service cost	178,427	-	178,427
Interest	109,453	-	109,453
Changes of benefit terms	20,619	-	20,619
Differences between expected and actual experience	40,555	-	40,555
Changes in assumptions	675,474		675,474
Benefit payments and expenses	(80,036)		(80,036)
	944,492	-	944,492
Net Changes	944,492	-	944,492
Balances at 9/14/2019	\$ 4,792,326	\$ -	\$ 4,792,326

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Pension Expense – The pension expense, calculated by the plan as of the December 31, 2018 measurement date is \$457,709 as follows:

Note	Description	Amount
A	Service Cost	\$ 178,427
B	Interest on the total pension liability	109,453
A	Changes of benefits terms	20,619
C	Differences between expected and actual experience	8,487
C	Changes of assumptions	140,723
	Total Pension Expense Relating to LOSAP	<u>\$ 457,709</u>

Notes:

- A Provided in the Changes in Net Pension Liability exhibit
 B Based on the following calculation:

	Amount for Period (1)	Portion of Period (2)	Projected Rate of Return (3)	Projected Earnings (1) x (2) x (3)
Beginning total pension liability	\$ 3,847,834	100%	2.87%	\$ 110,433
Service cost (End of Year)	178,427	0%	2.87%	-
Benefits Payments	(68,285)	50%	2.87%	(980)
Total interest on the total pension liability				<u>\$ 109,453</u>

- C Provided in summary of deferred outflows and deferred inflows

Deferred Outflows/Inflows of Resources - At December 31, 2019, the District's reported deferred outflows of resources and deferred inflows of resources related to the length of service awards program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 59,416	\$ -
Changes of Assumptions	1,030,430	38,890
	<u>\$ 1,089,846</u>	<u>\$ 38,890</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

The District will amortize the above sources of deferred outflows and inflows related to the length of service awards program over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of LOSAP Plan Deferral:		
December 31, 2019	8.00	8.00
 Changes of Assumptions		
Year of LOSAP Plan Deferral:		
December 31, 2019	8.00	8.00

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to the length of service awards program that will be recognized as pension expense in future periods:

<u>Year Ended December 31,</u>	<u>Amount</u>
2020	\$ 149,210
2021	149,210
2022	149,210
2023	149,210
2024	149,210
Thereafter	<u>304,906</u>
	 <u><u>\$ 1,050,956</u></u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 8: LENGTH OF SERVICE AWARDS PROGRAM (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of September 15, 2018 rolled forward to September 14, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Salary Increases:	Not Applicable
Investment Rate of Return	2.87%
	net of pension plan investment expense, including inflation
Mortality Rate Table	No pre-retirement mortality Post retirement: RP2000 projected to 2030
Retirement	First eligible
Turnover	T5
Disability	None

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the September 14, 2019 actuarial valuation report.

Discount Rate – The discount rate used to measure the total pension liability was 2.87% which is based on the 20-year AA general obligation bond rate as of September 14, 2019.

Sensitivity of the District’s Net Pension Liability to Changes in the Discount Rate - The following presents the District’s net pension liability calculated using the discount rate as disclosed above, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% Decrease (1.87%)	Current Discount Rate (2.87%)	1% Increase (3.87%)
Net Pension Liability - LOSAP	<u>\$ 5,130,554</u>	<u>\$ 4,792,326</u>	<u>\$ 4,446,536</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 9: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

NOTE 10: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The purpose of the interfunds is for short-term borrowing. As of December 31, 2019, the following interfund balances remained on the balance sheet:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General	\$ -	\$ 238,099
Debt Service	156,948	
Capital projects	<u>81,151</u>	<u>-</u>
Totals	<u>\$ 238,099</u>	<u>\$ 238,099</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

NOTE 11: FUNDING

The activities of the Board of Commissioners are primarily funded by the striking of the fire tax on the property owners of the Fire District, as provided for by the state statute. For the year ended December 31, 2019, the fire tax rate on the Fire District No. 2 was approximately \$.044 per \$100 of assessed valuation.

NOTE 12: FUND BALANCE

General Fund – Of the \$3,214,525 General Fund fund balance at December 31, 2019, \$2,311,926 is restricted for investment in length of service awards program, \$100,000 is assigned for subsequent years expenditures and \$802,599 is unassigned.

Capital Projects Fund – Of the \$81,151 Capital Projects Fund fund balance at December 31, 2019, \$81,151 is restricted for capital.

Debt Service Fund – Of the \$156,948 Debt Service Fund fund balance at December 31, 2019, \$156,948 is restricted for debt service.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to Financial Statements (continued)
For the year ended December 31, 2019

NOTE 13: COMMITMENTS

The District entered into a contract with Gordons Corner Fire Company for the leasing of premises at 683 Tennent Road, Township of Manalapan, New Jersey. The lease is a five year lease with future payments at December 31 as follows:

Year Ending December 31,	<u>Amount</u>
2020	\$ 223,126
2021	227,588
2022	232,140
2023	<u>216,690</u>
Total	<u>\$ 899,544</u>

NOTE 14: DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net position, a deficit in unrestricted net position of \$(558,474) existed as of December 31, 2019 for governmental activities. The primary cause of this deficit is the recording of the long-term liability for net pension and the long-term liability for the LOSAP obligation. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

NOTE 15: SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. On March 21, 2020, the Governor of New Jersey declared a health emergency and issued an order to close all non-essential businesses until further notice. The District has remained open throughout the pandemic and has continued to provide firefighting services to the public. The district anticipates that the coronavirus will not have a material effect on revenues, expenses and financial position.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Budgetary Comparison Schedule
For the year ended December 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Revenues:				
Miscellaneous anticipated revenue:				
Investment income	\$ -	\$ -	\$ 252	\$ 252
Other revenue	-	-	7,891	7,891
Total miscellaneous revenues	-	-	8,143	8,143
Total revenues	-	-	8,143	8,143
Amount raised by taxation to support district budget	1,807,547	1,807,547	1,807,547	-
Total anticipated revenues	1,807,547	1,807,547	1,815,690	8,143
Expenditures:				
Operating appropriations:				
Administration:				
Salaries and wages	53,127	60,627	57,761	2,866
Other expenditures:				
Professional fees	25,000	25,000	21,614	3,386
Fire prevention and training	30,000	38,000	37,347	653
Insurance	145,860	145,860	116,123	29,737
Building utilities and maintenance	198,000	198,000	169,795	28,205
Office supplies	45,312	45,312	40,932	4,380
Total administration	497,299	512,799	443,572	69,227
Cost of operations and maintenance:				
Other expenditures:				
Truck operations	96,000	96,000	69,199	26,801
Fire house rentals	218,387	219,887	219,479	408
Fire hydrant rentals	291,828	291,828	290,082	1,746
Contingencies	10,000	10,000	-	10,000
Equipment, radios and communications	150,300	113,800	1,333,132	(1,219,332)
Medical fees	13,870	15,370	15,145	225
Total cost of operations and maintenance	780,385	746,885	1,927,037	(1,180,152)

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Budgetary Comparison Schedule
For the year ended December 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance</u>
Capital appropriations	20,000	20,000	-	20,000
Total capital appropriations	20,000	20,000	-	20,000
Length of service award program:				
Contribution	219,900	237,900	237,470	430
Administrative expenses	5,100	5,100	5,098	2
Total length of service award program	225,000	243,000	242,568	432
Debt service for capital appropriations:				
Capital lease principal	223,361	223,361	120,339	103,022
Interest on capital lease	61,502	61,502	7,576	53,926
Total debt service for capital appropriations	284,863	284,863	127,915	156,948
Total governmental expenditures	1,807,547	1,807,547	2,741,092	(933,545)
Other financing sources and uses:				
Proceeds from capital lease	-	-	1,222,545	1,222,545
Total other financing sources and uses	-	-	1,222,545	1,222,545
Excess (deficiency) of revenues and other financing sources under (over) expenditures and other financing uses	-	-	297,143	297,143
Fund balance, January 1	843,555	843,555	843,555	-
Fund balance, December 31	<u>\$ 843,555</u>	<u>\$ 843,555</u>	<u>\$ 1,140,698</u>	<u>\$ 297,143</u>

RECAPITULATION OF FUND BALANCE

Restricted fund balance:		
Capital reserve		\$ 81,151
Debt service		156,948
Assigned fund balance:		
Designated for subsequent year's expenditures		100,000
Unassigned fund balance		802,599
Total - budgetary basis		1,140,698
Reconciliation to governmental fund statements (GAAP):		
Length of service award program investment balance not recognized on the budgetary basis		2,311,926
Total fund balance per governmental funds (GAAP)		<u>\$ 3,452,624</u>

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation
For the year ended December 31, 2019

	Total Governmental Funds
Sources/Inflows of Resources:	
Actual Amounts (Budgetary Basis) "Revenue"	
From the Budgetary Comparison Schedule (C-1)	\$ 1,815,690
 Difference - Budget to GAAP:	
<p>Budgetary basis differs from GAAP in that the District does not budget for length of service award program investment income. GASB 73 requires the investment appreciation in the length of service award program to be shown in financial statements using the current financial resources measurement focus and modified accrual basis of accounting:</p>	
Appreciation in fair value of investments	63,487
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 1,879,177
 Uses/Outflows of Resources:	
Actual Amounts (Budgetary Basis) "Total Appropriations"	
From the Budgetary Comparison Schedule (C-1)	\$ 2,741,092
<p>Budgetary basis differs from GAAP in that the District is required to budget for contributions to the length of service award program. Expenditures under the current financial resources measurement focus and modified accrual basis of accounting are limited to the benefits paid in accordance with the Plan.</p>	
Length of service award program district contribution	(237,470)
Participant withdrawals	70,106
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	\$ 2,573,728

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Seven Fiscal Years **

	Measurement Date Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.00023%	0.00023%	0.00023%	0.00024%	0.00024%	0.00050%	0.00062%
District's Proportionate Share of the Net Pension Liability	\$ 41,235	\$ 45,607	\$ 54,653	\$ 70,043	\$ 52,926	\$ 93,638	\$ 118,353
District's Covered-Employee Payroll	\$ 35,724	\$ 35,724	\$ 35,440	\$ 34,588	\$ 34,588	\$ 34,588	\$ 33,543
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	115.43%	127.66%	154.21%	202.51%	153.02%	270.72%	352.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
 Schedule of Authority Contributions
 Public Employees' Retirement System
 Last Seven Fiscal Years **

	Year Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
District's Contractually Required Contribution	\$ 2,226	\$ 2,304	\$ 2,175	\$ 2,101	\$ 2,027	\$ 4,123	\$ 4,666
District's Contribution in Relation to the Contractually Required Contribution	(2,226)	(2,304)	(2,175)	(2,101)	(2,027)	(4,123)	(4,666)
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 35,724	\$ 35,724	\$ 35,724	\$ 35,440	\$ 34,588	\$ 34,588	\$ 34,588
District's Contributions as a Percentage of it's Covered-Employee Payroll	6.23%	6.45%	6.09%	5.93%	5.86%	11.92%	13.49%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Changes in the Net Pension Liability and Related Ratios
Length of Service Awards Program (LOSAP)
Last Three Fiscal Years**

	2019	2018	2017
Total pension liability:			
Service cost	\$ 178,427	\$ 142,706	\$ 122,703
Interest	109,453	115,128	101,298
Changes in benefit terms	20,619	-	-
Differences between expected and actual experience	40,555	30,766	-
Changes in assumptions	675,474	564,930	(58,333)
Payments for benefits and admin expenses	(80,036)	(74,225)	(72,688)
Net change in total pension liability	944,492	779,305	92,980
Total pension liability - beginning	3,847,834	3,068,529	2,975,549
Total pension liability - ending	\$ 4,792,326	\$ 3,847,834	\$ 3,068,529
Net pension liability - LOSAP	<u>\$ 4,792,326</u>	<u>\$ 3,847,834</u>	<u>\$ 3,068,529</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%
District's covered payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A
Expected average remaining service years for all participants	8	9	9

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2019**

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None.

Changes of Assumptions

The discount rate changed from 5.66% as of June 30, 2018, to 6.28% as of June 30, 2019.

Length of Service Awards Program (LOSAP)

Changes of Benefit Terms

The Multiplier changed from \$36.70 as of September 14, 2018 to \$37.47 as of September 14, 2019.

Changes of Assumptions

The discount rate changed from 3.79% as of September 14, 2018, to 2.87% as of September 14, 2019.

FIRE DISTRICT NO. 1 OF THE TOWNSHIP OF MANALAPAN
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the year ended December 31, 2019

Description	Date of Lease	Term of Lease	Amount of Original Issue		Annual Maturity Date	Annual Maturity Amount	Interest Rate Payable	Amount Outstanding January 1, 2019	Issued	Retired	Amount Outstanding December 31, 2019
			Principal	Interest							
Apparatus	4/15/2016	5 years	\$ 594,401	\$ 44,969	1/15/2020	30,571	338,525	\$ -	\$ 120,339	\$ 218,186	
					4/15/2020	30,769					
					7/15/2020	30,967					
					10/15/2020	31,167					
					1/15/2021	31,368					
					4/15/2021	31,570					
					7/15/2021	31,774					
Apparatus	1/17/2019	10 years	\$ 1,222,545	\$ 298,986	1/17/2020	100,652	-	1,222,545	-	-	1,222,545
					12/17/2020	108,321					
					12/17/2021	109,005					
					12/17/2022	113,638					
					12/17/2023	118,468					
					12/17/2024	123,502					
					12/17/2025	128,751					
					12/17/2026	134,223					
					12/17/2027	139,928					
					12/17/2028	146,057					
Total								\$ 338,525	\$ 1,222,545	\$ 120,339	\$ 1,440,731

Board of Fire Commissioners
Fire District No. 1 of the Township of Manalapan
County of Monmouth
Manalapan, New Jersey 07726

We have audited the basic financial statements of the Fire District No. 1 of the Township of Manalapan, County of Monmouth, State of New Jersey for the year ended December 31, 2019. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$17,500, except by contract or agreement.

It is pointed out that the Commissioners of the District have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Review of the minutes and financial transactions did not identify any bids requested by public advertising.

The minutes indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

Contracts and Agreements Requiring Solicitation of Quotations

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (*N.J.S.A.40A:11-6.1*).The minutes indicate that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Cash Receipts

A test check of cash receipts was performed.

Budget

An examination of the District approved budget was conducted to ensure line items were not overspent.

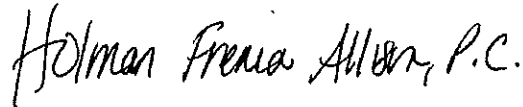
General Ledger

The general ledger was complete with the required journal entries.

Acknowledgment

We received the complete cooperation of all the staff of the District and we greatly appreciate the courtesies extended to the members of the audit team.

Should you have any questions, please contact us.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

December 7, 2020
Toms River, New Jersey